



KWG Group Holdings Limited

Green Finance Framework

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1. Introduction

Founded in 1995, KWG Group Holdings Limited (“**KWG**” or “**The Group**”) is one of the leading integrated urban operators in China. The Group was listed on the Main Board of The Stock Exchange of Hong Kong (stock code: 1813.HK) in July 2007. Since its establishment, KWG Group has focused on the development, sales, operation and management of high-quality properties.

Originated from Guangzhou, KWG has strategically expanded nationwide across China. It has established presence in over 40 key cities such as Beijing, Shanghai, Guangzhou, Chengdu and Hong Kong, covering key urban economic regions including the Greater Bay Area, Yangtze River Delta Area, Pan Bohai Rim, Western and Central regions. The Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, serviced apartments, villas, offices, hotels and shopping malls. The Group has also extended its business scope from traditional property development and commercial operation to a wide range of segments including cultural tourism, education, and healthcare to gain synergic development with property business.

2. KWG’s Sustainable Development Strategy

As a leading property developer in China, KWG Group takes into account the social responsibilities that an enterprise should shoulder in addition to business development. With the core philosophy of “build home with heart, create future with aspiration”, we have been striving to enhance the living standard of the community and our customers by realising our philosophy in every detail of business operation. Through engaging in business activities that are conducive to the development of the society, we are committed to forging a better future.

The Group understands that sustainable development is the foundation of long-term success of an enterprise. Therefore, we have implemented various specific measures in this regard, enabling all employees to share the same sustainable development concept. We also strive to promote the concept of green living among customers, seeking to offer comfortable green architectures featuring low energy consumption and the use of renewable energy. This not only brings a new way of life to customers, but also further optimises the Group’s effort in sustainable development.

3. KWG’s Green Finance Framework

This bespoke Green Finance Framework (“**GFF**” or the “**Framework**”) serves as a guiding document for KWG’s future Green Financing Transactions (“**GFT**”) to fund eligible projects that will deliver environmental benefits while support KWG’s business strategy, and contributing to the sustainable development of the economy, society and environment. GFTs may include bonds, loans and other

financing products where proceeds are applied to eligible green projects (“**Eligible Projects**”) as defined in this Framework.

Bonds issued under the Framework will be aligned to the ICMA Green Bond Principles 2018 (“**GBP**”) ¹ or as they may be subsequently amended. Loans issued under the Framework will be aligned to the LMA Green Loan Principles 2020 (“**GLP**”) ² or as they may be subsequently amended. Other forms of financing may conform to other well-established green or sustainable finance principles as may have been established at the time. In addition, green projects in China will also comply with the "Green Bond Supported Projects Catalogue" formulated by the Green Finance Committee of the People's Bank of China, and the relevant industry standards applicable issued by other ministries.

For each GFT issued under this Framework, KWG is committed to align with the following elements:

- I. Use of proceeds
- II. Project evaluation and selection
- III. Management of proceeds
- IV. Reporting

3.1 Use of Proceeds

The net proceeds from any GFT will be used exclusively to finance and/or refinance, in whole or in part, new or existing Eligible Projects that meet one or more of the following eligible categories as recognised in the GBP/GLP. Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance. KWG will strive to fully allocate the net proceeds of each GFT within 24 months of issuance.

The Eligible Green Project categories that may be utilised under the Framework, together with associated selection criteria (“**Eligibility Criteria**”) are set out below.

| Eligible Green Project Categories | Key Contribution to UN SDGs ³ | Eligibility Criteria and Examples |
|-----------------------------------|---|--|
| Green Buildings |  | <ul style="list-style-type: none"> • New construction or renovation work of existing buildings which have obtained or are expected to obtain one or more of the following green building certifications and respective level: <ul style="list-style-type: none"> ○ Chinese Green Building Evaluation Label - 2 Star or above ○ U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above |

¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

³ United Nations Sustainable Development Goals

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|--|---|--|
| | | <ul style="list-style-type: none"> ○ Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent or above ○ Building Environmental Assessment Method (BEAM Plus): Gold or above; or ○ Other equivalent international standards |
| Energy Efficiency |   | <ul style="list-style-type: none"> ● Projects relating to installation and adoption of smart technologies and/or systems in new and existing buildings that contribute to higher energy efficiency, including smart meters, heating ventilation and air conditioning systems, auto or LED lighting, lift system, and building controls ● Projects involving refurbishment of existing buildings shall achieve an energy efficiency improvement of at least 15 percent ● R&D expenditure (limited to 20% of issuance) for energy efficiency design and technologies for buildings and construction |
| Pollution Prevention and Control |  | <ul style="list-style-type: none"> ● Expenditures and investments in waste management that aim to prevent, minimize and/or recycle waste |
| Sustainable Water and Wastewater Management |   | <ul style="list-style-type: none"> ● Construction, development, installation, operation and maintenance of infrastructure or equipment for sewage treatment and recycling ● Installation of rainwater collection systems ● Installation of water-saving devices such as sensor faucets in water facilities |
| Renewable Energy |  | <ul style="list-style-type: none"> ● Installation of renewable technology (e.g. solar photovoltaic energy systems, solar sensor water system and solar water heating system) |

3.2 Project Evaluation and Selection

KWG has established a Green Finance Working Group comprising of senior representatives from finance and treasury department, investor relations department, risk control and audit department and other relevant business units. Potential eligible projects will be shortlisted by operation department and presented to the Green Finance Working Group to review and approve according to the criteria defined in this Framework.

The Green Finance Working Group is responsible for:

- Reviewing and approving the inclusion of shortlisted Eligible Projects
- Monitoring and managing the eligible green project portfolio and corresponding GFT on an annual basis
- Removing projects that no longer comply with the eligibility criteria or have been disposed of, and replacing them as soon as applicable
- Observing developments in the GBP/GLP and other markets standards relating to GFTs as well as market conventions, and approving updates to this Framework accordingly

3.3 Management of Proceeds

KWG commits to allocating an amount equal to the net proceeds of each GFT to finance Eligible Projects within 24 months after such GFT. The proceeds of each GFT will be deposited in the general funding accounts and to be earmarked to Eligible Projects.

KWG will set up Green Finance Register and an internal process to earmark and track the allocation of outstanding Green Bond net proceeds to Eligible Projects. KWG will manage the Green Bond proceeds on a portfolio basis. If a material event or situation changes has occurred to an eligible project during the GFT's tenor, the relevant business unit(s) will decide on a remediation plan with the Green Finance Working Group; if there is no major change in the project, the relevant business unit(s) will provide updated information on eligible projects to the Green Finance Working Group on an annual basis. The Green Finance Register will include the following information:

3.3.1 Transactions Information

The Register will include but not limited to the following information: issuer/borrower entity, transaction date, tranche(s) information, amount of (net) proceeds, repayment or amortization profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).

3.3.2 Proceeds Allocation Information

The Register will include the following information on the allocation of proceeds of all GFTs:

- Name, description and green certification of Eligible Projects to which the proceeds of the GFT have been allocated in accordance with this Framework
- Amount allocated to each Eligible Project
- Amount of unallocated proceeds
- Use of unallocated proceeds

Any proceeds which are temporarily unallocated to Eligible Projects will be managed in accordance with KWG’s normal liquidity management policy. KWG is committed that no temporarily unallocated proceeds will be invested in any high pollution activities or any projects that are in conflict with the eligibility criteria under this Framework.

KWG aims to maintain a substantial buffer of Eligible Projects. In case of divestments or if an Eligible Project no longer meets the Eligibility Criteria, the funds will be reallocated to other Eligible Projects as soon as applicable. Additionally, if any material and critical controversies emerge in relation to a specific project, KWG commits to substitute that project with an alternative Eligible Project.

3.4 Reporting

KWG will publish annual reporting regarding the proceeds allocation of its GFTs, until full allocation of proceeds into Eligible Projects. Such information will be provided in the Group’s annual reports or green finance reports. The reporting will provide the following information:

3.4.1 Allocation Reporting

KWG will provide the following information regarding the use of proceeds of its GFTs:

- Details of each GFT that is outstanding
- Aggregate amount of proceeds from each GFT that has been allocated to Eligible Projects
- Balance of unallocated proceeds from each GFT
- Project examples, subject to confidentiality

3.4.2 Impact Reporting

KWG commits to disclose the environmental and social benefits achieved by the Eligible Projects. Subject to the nature of Eligible Projects and availability of information, KWG aims to included, but not limited to, the following impact indicators:

| Eligible Green Project Categories | Environmental Impact Indicators |
|-----------------------------------|---|
| Green Buildings | <ul style="list-style-type: none"> • Type/Level/Number of green building certifications obtained • Annual GHG emissions reduced/avoided (in tons of CO₂ eq) • Annual energy savings (in MWh) |
| Energy Efficiency | <ul style="list-style-type: none"> • Annual energy savings (in MWh) • Annual GHG emissions reduced/avoided (in tons of CO₂ eq) • % annual energy efficiency gains relative to an established baseline |

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| Pollution Prevention and Control | <ul style="list-style-type: none"> Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a. |
| Sustainable Water and Wastewater Management | <ul style="list-style-type: none"> Cubic meters of water saved/reduced Tonnes of waste recycled/reduced/avoided Cubic meters of rain water collected and re-used |
| Renewable Energy | <ul style="list-style-type: none"> Renewable energy generation (MWh) / capacity (MW) Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent |

4. External Review

KWG has engaged Sustainalytics to provide an External Review in the form of a Second Party Opinion on the Framework and confirm alignment with the GBP/GLP. The External Review is available on KWG's website: <https://www.kwggroupholdings.com/>.